

LAW OFFICES

STRANG, FLETCHER, CARRIGER, WALKER, HODGE, & SMITH, PLLC

CARLOS C. SMITH
WILLIAM C. CARRIGER
RICHARD T. HUDSON
FREDERICK L. HITCHCOCK
EWING STRANG
LARRY L. CASH *
CHRISTINE MABE SCOTT *
J. ROBIN ROGERS *
G. MICHAEL LUHOWIAK
GREGORY D. WILLETT
MARK W. SMITH *
STEPHEN D. BARHAM

OF COUNSEL

ROBERT KIRK WALKER
MICHAEL A. KENT

400 KRYSTAL BUILDING
ONE UNION SQUARE
CHATTANOOGA, TENNESSEE 37402-2514

TELEPHONE 423-265-2000
FACSIMILE 423-756-5844

October 22, 2003

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37402-2514

T.R.A. DOCKET ROOM

S. BARTOW STRANG
1882-1954

JOHN S. FLETCHER
1879-1961

JOHN S. CARRIGER
1902-1989

JOHN S. FLETCHER, JR.
1911-1974

ALBERT L. HODGE
1910-1997

F. THORNTON STRANG
1920-1999

*ALSO LICENSED IN GEORGIA
*ALSO LICENSED IN ALABAMA

VIA FEDERAL EXPRESS

The Honorable Deborah Taylor Tate, Chairman
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

Re: Docket No. 03-00072
Electric Power Board of Chattanooga

Dear Chairman Tate:

We are enclosing an original and thirteen copies of a corrected Section h.1. to the compilation of information furnished by the Electric Power Board of Chattanooga for its fiscal year ending June 30, 2003 and an original and thirteen copies of a corrected Section h.1. to the information furnished by the Electric Power Board of Chattanooga for its fiscal year ending June 30, 2002.

Also enclosed are an original and thirteen copies of the response of the Electric Power Board of Chattanooga to Joe Werner's request for additional information dated October 21, 2003.

Sincerely yours,



William C. Carriger
For the Firm

WCC:tm
EPB/TEL - #207
Enclosures

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EPB Telecommunications

Corrected Report Fiscal Year 2003

T.R.A. DOCKET ROOM

h. A computation of tax allocations for regulatory purposes as follows:

1. Property taxes

| TAXING DISTRICT | JUNE 30, 2002 NET INVESTMENT | ASSESSMENT RATIO | 2002 TAX RATE | 2002 EQUALIZATION RATIO | PROPERTY TAX |
|-----------------|------------------------------------|---------------------|---------------------|-------------------------------|-----------------|
| CHATTANOOGA | \$ 12,210,203.00 | 0.55 | 2.5160 | 1.000 | \$ 168,964.79 |
| EAST RIDGE | 6,797.00 | 0.55 | 1.0610 | 1.000 | 39.66 |
| RED BANK | 7,847.00 | 0.55 | 1.0500 | 1.000 | 45.32 |
| SODDY DAISY | 16,055.00 | 0.55 | .4900 | 1.000 | 43.27 |
| HAMILTON COUNTY | 12,268,791.00 | 0.55 | 3.0610 | 1.000 | 206,551.23 |
| TOTAL | \$ 24,509,693.00 | | | | \$ 375,644.27 |

**EPB Telecommunications
Corrected Report Fiscal Year 2002**

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h. A computation of tax allocations for regulatory purposes as follows:

1. Property taxes

| TAXING DISTRICT | JUNE 30, 2001 NET INVESTMENT | ASSESSMENT RATIO | 2002 TAX RATE | 2002 EQUALIZATION RATIO | PROPERTY TAX |
|-----------------|------------------------------------|---------------------|---------------------|-------------------------------|-----------------|
| CHATTANOOGA | \$ 10,746,404.01 | 0.55 | 2.5160 | 1.000 | \$ 148,708.74 |
| HAMILTON COUNTY | 10,746,791.00 | 0.55 | 3.0610 | 1.000 | 180,921.08 |
| TOTAL | \$ 21,492,808.02 | | | | \$ 329,629.82 |

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EPB Telecommunications

Response to Additional Questions for Fiscal Year 2003

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T.R.A. DOCKET ROOM

- 1) The interest rates used to calculate the interest expense for the loan from EPB Electric System to the Telecommunications System is the highest of the prime rate or the highest rate then earned by EPB on invested electric plant funds. Schedule 1 shows the calculations of the interest expense for fiscal year 2003. The prime rate was greater than any invested electric plant fund rate for the entire period.
- 2) Schedule 2A summarizes the pole attachment agreements for 2003. The "current rate" shown on the schedule is determined at the end of each fiscal year and retroactively adjusted for that year. In November 2002 an error was discovered in reported Conduit Feet. EPB started allocating correct monthly amounts at that time and made a partial retroactive adjustment in May and June 2003. The balance of the retroactive adjustment will be completed in fiscal year 2003-04. Schedule 2B shows the rates billed to the Telecommunications System and the actual rates used for the adjustments made in 2003 of \$8,239.14. At this time we have no conduit rental agreements with anyone except the Telecommunications System.
- 3) EPB is self-insured for health care. Costs are allocated based on a claims-paid basis. For 2003, the Telecommunications System saw a higher utilization of health care services.
- 4) Schedule 3 lists the Telecommunications System plant by account for the year 2003. All plant listed on the attachment is for the sole use of Telecom.

EPB TELECOMMUNICATIONS
INTEREST EXPENSE CALCULATION
JULY 2002 - JUNE 2003

| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | TOTAL |
|---|------------------------------------|------------|------------|------------|------------|------------|------------|----------------------|------------|------------|------------|------------|-----------|
| 2002-2003 | | | | | | | | | | | | | |
| EPBS HIGHEST RATE EARNED ON INVESTMENTS | 0 0413 | 0 0413 | 0 0413 | 0 0413 | 0 0413 | 0 0413 | 0 0413 | 0 0405 | 0 0405 | 0 0405 | 0 0405 | 0 0405 | 0 0405 |
| PRIME INTEREST RATE | 0 0475 | 0 0475 | 0 0475 | 0 0475 | 0 0425 | 0 0425 | 0 0425 | 0 0425 | 0 0425 | 0 0425 | 0 0425 | 0 0425 | 0 0425 |
| Beginning Note Balance | 21,900,045 | 22,633,745 | 23,101,950 | 23,234,264 | 23,136,186 | 23,291,676 | 23,230,233 | 23,873,844 | 23,666,492 | 23,661,583 | 23,835,432 | 23,879,588 | |
| Transfer Interest Balance | 558,677 | 0 | 0 | 0 | 0 | 0 | 544,710 | 0 | 0 | 0 | 0 | 0 | |
| Addition to Note Balance | 775,023 | 1,143,205 | 752,314 | 746,922 | 780,490 | 563,557 | 811,509 | 582,986 | 820,091 | 1,061,947 | 919,156 | 830,861 | |
| Adjust Note (for interest calculation only) | (A) 21,517 (B) 21,517 (C) (21,517) | | | | | | | | | | | | |
| Note Balance for Interest Calc | 23,255,262 | 23,798,467 | 23,832,747 | 23,981,186 | 23,916,676 | 23,855,233 | 24,586,452 | 24,456,830 | 24,486,583 | 24,723,530 | 24,754,588 | 24,710,449 | |
| RATE USED FOR INTEREST CALC | 0 0475 | 0 0475 | 0 0475 | 0 0475 | 0 0425 | 0 0425 | 0 0425 | 0 0425 | 0 0425 | 0 0425 | 0 0425 | 0 0425 | |
| Adjust Interest | | | | | | | | | | | | | |
| NOTE BAL TIMES PRIME, DIV BY 12 | 92,052 | 94,202 | 94,338 | 94,926 | 84,705 | 84,487 | 87,077 | 86,618 ⁴⁴ | 86,723 | 87,563 | 87,672 | 87,516 | 1,067,056 |
| CASH TRANSFER APPLIED TO NOTE | (600,000) | (675,000) | (620,000) | (845,000) | (625,000) | (625,000) | (725,000) | (790,338) | (825,000) | (888,098) | (875,000) | (925,000) | |
| NOTE BAL AFTER CASH TRANSFER | 22,633,745 | 23,101,950 | 23,234,264 | 23,136,186 | 23,291,676 | 23,230,233 | 23,873,844 | 23,666,492 | 23,661,583 | 23,835,432 | 23,879,588 | 23,785,449 | |

(A) Adjustment for June 2002 Adjusting journal entry made after interest had been calculated
(B) The July adjustment for June 2002 was erroneously repeated in August 20023
(C) Correcting the duplicate adjustment which was made in August

EPB TELECOM
POLE ATTACHMENTS AND CONDUIT RENTAL
ACTUAL CHARGES JULY 2000 - AUGUST 2003, INCLUDING ADJUSTMENTS FOR PRIOR YEARS

| | BASIS FOR ALLOCATION | | | | | | | | | | | | TOTAL |
|---|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|-------------|--------------|
| | JULY | AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | |
| JULY 2002 - JUNE 2003 | | | | | | | | | | | | | |
| Pole attachments, A/C #126410 150 | | | | | | | | | | | | | |
| # OF POLES INSIDE CITY LIMITS | 985 | 986 | 986 | 986 | 995 | 995 | 995 | 1,016 | 1,027 | 1,027 | 1,026 | 1,026 | |
| INSIDE CITY LIMIT ANNUAL RATE | \$ 22 03 | \$ 22 03 | \$ 22 03 | \$ 22 03 | \$ 22 03 | \$ 23 47 | \$ 23 47 | \$ 23 47 | \$ 23 47 | \$ 23 47 | \$ 23 47 | \$ 23 47 | |
| # OF POLES OUTSIDE CITY LIMITS | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 35 | 18 | 18 | 18 | 18 | |
| OUTSIDE CITY LIMIT ANNUAL RATE | \$ 24 15 | \$ 24 15 | \$ 24 15 | \$ 24 15 | \$ 24 15 | \$ 25 73 | \$ 25 73 | \$ 25 73 | \$ 25 73 | \$ 25 73 | \$ 25 73 | \$ 25 73 | |
| Regular Pole Rental Billing FY 02-03 | 1,844 52 | 1,846 36 | 1,846 36 | 1,846 36 | 1,862 88 | 1,984 65 | 1,984 65 | 2,062 17 | 2,047 24 | 2,047 24 | 2,045 28 | 2,045 28 | 23,462 97 |
| ADJUST FOR JULY 2002 - NOV 2002 for Rates | | | | | | 201 47 | 201 47 | 201 47 | | | | | 604 41 |
| ADJUST FOR 07/02 - 01/03 FOR TFS (A) | | | | | | | | 461 84 | | | | | 461 84 |
| ADJUST FOR 03/99 - 06/02 for Rates (B) | | - | - | - | - | 1,513 53 | 1,513 53 | 1,513 53 | - | - | - | - | 4,540 59 |
| ADJUST FOR 08/01 - 08/02 FOR TFS | | | | | | | | 767 57 | | | | | 767 57 |
| TOTAL MONTHLY POLE RENTAL | | | | | | | | | | | | | |
| Conduit rental, A/C #126410 150 | 1,844 52 | 1,846 36 | 1,846 36 | 1,846 36 | 1,862 88 | 3,699 65 | 3,699 65 | 5,006 58 | 2,047 24 | 2,047 24 | 2,045 28 | 2,045 28 | 29,837 37 |
| DUCT FEET | 9,900 | 9,900 | 9,900 | 9,900 | 25,517 | 25,517 | 25,517 | 25,517 | 25,517 | 25,517 | 25,517 | 25,517 | |
| ANNUAL RATE PER FOOT | \$ 2 77 | \$ 2 77 | \$ 2 77 | \$ 2 77 | \$ 2 77 | \$ 2 77 | \$ 2 77 | \$ 2 77 | \$ 2 77 | \$ 2 77 | \$ 2 77 | \$ 2 77 | |
| Regular Conduit Rental Billing FY 02-03 | \$ 2,285 25 | \$ 2,285 25 | \$ 2,285 25 | \$ 2,285 25 | \$ 5,890 17 | \$ 5,890 17 | \$ 5,890 17 | \$ 5,890 17 | \$ 5,890 17 | \$ 5,890 17 | \$ 5,890 17 | \$ 5,890 17 | 56,262 39 |
| ADJ FOR JULY 2002 - OCT 2002 (C) | | | | | | | | | | | \$ 337 01 | \$ 337 01 | 674 02 |
| ADJ FOR MARCH 1999 - JUNE 02 | | | | | | | | | | | \$ 1,465 49 | \$ 1,465 49 | 2,930 98 |
| TOTAL MONTHLY CONDUIT RENTAL | | | | | | | | | | | | | |
| | 2,285 25 | 2,285 25 | 2,285 25 | 2,285 25 | 5,890 17 | 5,890 17 | 5,890 17 | 5,890 17 | 5,890 17 | 5,890 17 | 7,692 67 | 7,692 67 | 59,867 39 |
| TOTAL POLE & CONDUIT RENTAL COMBINED, JULY 2002 - JUNE 2003 | | | | | | | | | | | | | |
| | \$ 4,129 77 | \$ 4,131 61 | \$ 4,131 61 | \$ 4,131 61 | \$ 7,753 05 | \$ 9,589 82 | \$ 9,589 82 | \$ 10,896 76 | \$ 7,937 41 | \$ 7,937 41 | \$ 9,737 95 | \$ 9,737 95 | \$ 89,704 77 |

(A) Adjusting August 01 - January 03 for fiber 100% owned by EPB Telecom
(B) Adjusting March 1999 - November 2002 to the rates that should have been used
(C) Adjusting March 1999 - October 2002 to the 25,517 ft measurement determined @ November 2002 measurement, using averages because exact measurements for that period were not available
The balance of the retroactive adjustment will be made in Fiscal Year 2003-2004

EPB TELECOM
TELECOMMUNICATIONS PLANT
JUNE 30, 2003

| PLANT ACCOUNT | DESCRIPTION | TOTAL TELECOM PLANT | ACCUMULATED DEPRECIATION | NET TELECOM PLANT | DEPRECIATION RATE* | FY2002-03 DEPRECIATION EXPENSE |
|---------------------------------|--------------------------------------|---------------------------|-----------------------------|-------------------------|-----------------------|--------------------------------------|
| Telecommunications Plant | | | | | | |
| 21120.400 | Vehicles | \$ 103,358.23 | \$ 53,714.57 | \$ 49,643.66 | 20% | \$ 20,585.42 |
| 21140.400 | Work Equipment | 335,487.57 | 152,397.72 | 183,089.85 | 15% | 45,901.68 |
| 21210.400 | Building | 55,432.48 | 5,607.35 | 49,825.13 | 4% | 2,217.36 |
| 21220.400 | Furniture | 175,420.39 | 48,631.52 | 126,788.87 | 10% | 17,274.84 |
| 21240.400 | Computers | 546,490.56 | 258,452.23 | 288,038.33 | 20% | 105,670.68 |
| 22100.400 | Central Office Equipment | 6,023,923.00 | 1,508,015.98 | 4,515,907.02 | 10% | 566,203.43 |
| 23100.400 | Network Access Nodes & Equipment | 3,158,103.55 | 664,943.39 | 2,493,160.16 | 10% | 287,388.24 |
| 23110.400 | Customer Access Equipment - on Net | 1,099,708.24 | 143,723.19 | 955,985.05 | 10% | 102,150.53 |
| 23120.400 | Customer Access Equipment - off Net | 535,157.45 | 6,270.94 | 528,886.51 | 10% | 2,609.88 |
| 23210.400 | Customer Premise Equipment | 598,102.92 | 285,711.60 | 312,391.32 | 20% | 119,507.76 |
| 24100.400 | Fiber Network | 2,217,521.18 | 325,992.10 | 1,891,529.08 | 5% | 94,760.63 |
| 24106.400 | Interconnect & Collocation Equipment | 752,693.05 | 69,992.17 | 682,700.88 | 4% | 30,073.08 |
| 26820.400 | Local Distribution Facilities | - | - | - | 10% | - |
| | Leasehold Improvements | 165,281.16 | 21,971.17 | 143,309.99 | 10% | 9,916.88 |
| | Sub-total | \$ 15,766,679.78 | \$ 3,545,423.93 | \$ 12,221,255.85 | | \$ 1,404,260.41 |
| | Construction Work in Progress | 90,067.61 | - | 90,067.61 | | |
| Total | | \$ 15,856,747.39 | \$ 3,545,423.93 | \$ 12,311,323.46 | | |

*All straight line based on previous months GL balance, except for vehicles which are straight line based on a per unit basis.

POLE ATTACHMENT CONTRACTS

| Company | Agreement Executed | Current Rate per Pole (2003) | Type of Payment | Rate Terms | Term of Agreement |
|--|--------------------------------------|---|-----------------|---|---|
| Adelphia Business Solutions | July 7, 2000 | N/A | | | Terminated April 28, 2003 |
| BellSouth (formerly South Central Bell) | January 1, 1991 | \$18.14 | Annual | Payment based on a 5-year "Inventory of Attachments & proration of new attachments | December 1999 |
| Bledsoe Telephone Company | April 28, 1992 | \$18.14 | Annual | Base rate escalated annually based on previous annual Telephone Plant Index | December 31, 1999 |
| Century Telephone Company | February 18, 1991 | \$11.65 | Annual | In negotiations | |
| COMCAST (formerly Chattanooga CATV Co.) <i>Amended:</i> | February 26, 1973 January 1, 1997 | \$9.88 | Semi-annual | (Cable) Adjusted annually on January 1 based on 1/1/87 Handy Whitman Index. (Telecom) adjusted annually on Jan 1 based on # on pole (see Article III) | January 1, 2002 |
| Charter Communications (formerly Helicon) (formerly Clear-Vu Cable Company (GA)) <i>Amended:</i> | May 7, 1984 February-96 | \$9.88 | Semi-annual | Adjustments negotiated after written notice. Adjustments not less than 3 years. | Written notice of termination 6 months prior to end of said term. |
| Charter Communications (formerly Helicon) (formerly Clear-Vu Cable Company (TN)) <i>Amended:</i> | May 18, 1981 February-96 | \$9.88 | Semi-annual | Adjustments negotiated after written notice. Adjustments not less than 3 years | Written notice of termination 6 months prior to end of said term. |
| Charter Communications (formerly Helicon) (formerly Sequatchie Valley Cablevision) <i>Amended:</i> | February 24, 1984 February-96 | \$9.88 | Semi-annual | Adjustments not less than 3 years not to exceed the % increase reported by Handy Whitman Index. | Written notice of termination 6 months prior to end of said term. |
| Charter Communications (7/3/1/99) dba Robin Media (formerly Intermedia) (formerly Telecable of Cleveland) <i>Amended:</i> | June 13, 1991 September 5, 1996 | \$9.88 | Semi-annual | Adjustments not less than 3 years not to exceed the % increase reported by Handy Whitman Index | Written notice of termination 6 months prior to end of said term (yr by yr (6/13) |
| Chickamauga Telephone Co | July 24, 1992 | \$18.14 | Annual | Base rate escalated annually based on previous annual Telephone Plant Index | December 31, 1999 |
| EPB Telecom | March 1999 | \$23.87 (inside) \$26.16 (outside) city | Monthly | Rate based on highest rate of other Telecom attachers. | |
| EPB Telecom | March 1999 | Conduit \$2.77 per foot per year | Monthly | Rate based on highest rate of other Telecom attachers. | No change in rate from 2002 rate per MEW 7/21/03 |
| Highland Park Baptist (Camp Joy) <i>Amended:</i> | June 10, 1986 December 17, 1990 | \$9.88 | Semi-annual | Adjustments not less than 3 years not to exceed the % increase reported by Handy Whitman Index | Written notice of termination 6 months prior to end of said term. |
| KMC Telecom III, Inc. <i>Amended:</i> | November 12, 1999 January 1, 1990 | \$23.87 (inside) \$26.16 (outside) city | Semi-annual | Adjustments will be annually after 12/31/00 according to Handy Whitman Index. | Written notice of termination 6 months prior to end of said term (12/31/2005) |
| North Georgia Electric Membership Co. <i>Amended:</i> | June 29, 1981 January 1, 1990 | \$18.14 | Annual | Rental Rate same as current BST Urban Joint Use Rate | No Contract |
| Ringgold Telephone Company | May 31, 2000 | \$23.87 (inside) \$26.16 (outside) city | Semi-annual | Adjustments will be annually after 1/1/01 according to Handy Whitman Index. | Written notice of termination 6 months prior to end of said term (12/31/2005) |
| Tennessee Temple University <i>Amended:</i> | July 8, 1986 December 17, 1990 | \$9.88 | Semi-annual | Adjustments not less than 3 years not to exceed the % increase reported by Handy Whitman Index. | Written notice of termination 6 months prior to end of said term. |
| Trenton Telephone Company (Trenton on EPB) | July 16, 1987 | \$14.09 | Annual | Rental rate same as the current BST rural joint-use agreement | Written notice of termination 30 days prior to end of said term. |
| Volunteer Electric Cooperative | January 18, 2002 | \$18.14 | Annual | Adjustments negotiated after written notice. | Written notice of termination 6 months prior to end of said term. |